

June 23, 2016

**MEMORANDUM**

**TO:** Karla Browne  
Director, Finance, Accounts Payable & Travel

Michael Keneker  
Associate Vice President & Controller

**FROM:** Sherri Magnus *Sherri Magnus*  
Vice President & Chief Audit Officer

**SUBJECT:** Review of Executive Travel and Business Entertainment Expenditures  
Audit Control Number 2016 – 201

We have completed a review of Executive Travel and Business Entertainment Expenditures. This review is required by UT System and is an expansion of the Quarterly Review of President's Travel and Business Entertainment. Our objective was to review the expenditures for proper approval, supporting documentation, accuracy, business purpose, allowability, and timeliness, in accordance with established policies.

We tested Concur and travel card expenditures totaling more than \$717,000 for 18 executives and identified only two observations that require management's action. These observations are associated with \$2,483 in expenditures and indicate opportunities for improvement related to use of the state-issued travel credit card ensuring adequate supporting documentation. They are as follows:

Observation 1:

**Personal Charges**

**RANKING: Low**

A total of \$990 in personal retail charges were made on the corporate travel card by one individual. Personal expenses are prohibited according to the institutional *Card Use Agreement*, which the individual signed in 2015.

According to the *Texas Administrative Code* and the *Card Use Agreement*, the card may not be used for personal business, and violations will result in disciplinary action up to and including cancellation of the card and termination of employment. Moreover, the Texas Ethics Commission deems personal use of the corporate credit card as a misapplication of state property.

The employee reimbursed the Institution for the personal charges. Subsequent to our review and discussion with the employee about the personal expenditures, the travel card account was closed at the individual's request.

Recommendation

The Controller's Office should coordinate with management to determine if any additional actions are warranted.

**Management's Action Plan**

Responsible Executives: Weldon Gage; Dan Fontaine

Owner: Michael Keneker

Observer: Chris McKee

Due Date: July 31, 2016

*We will continue to educate CLIBA cardholders on the duty of care that is expected when using institutional corporate cards. We will refer them to the Institutional Card Agreement which was signed upon issuance of the card to the individual. We will also work with the one up manager to gain compliance. Continued usage of the institutional card for personal expenses will result in the closure of the travel card account.*

Observation 2:

**Supporting Documentation**

**RANKING: Low**

A business entertainment meal totaling \$1,493 did not have an itemized receipt. Based on the available documentation, the expense appeared to be reasonable and for a legitimate business purpose. It is our understanding that this was related to an international business dinner, and that it is difficult in some countries to obtain an itemized receipt. The Travel Management Policy requires receipts for any meals greater than \$25. Without an itemized receipt, management is unable to determine whether all expenses were allowable and for legitimate business purposes.

Recommendation

Management should provide additional guidance on supporting documentation for foreign travel and entertainment expenses. This can be accomplished through refresher education and through publication of pertinent information in the monthly Travel and Expense Newsletter.

**Management's Action Plan**

Responsible Executive: Dan Fontaine

Owner: Karla Browne

Observer: Chris McKee

Due Date: July 31, 2016

*Itemized receipts are a requirement for all meals, effective 5/31/16. There will be occasions where an itemized receipt is not available, as it is customary in some foreign countries to provide meal receipts that are not itemized. We will continue to educate our travelers on the receipt requirement and will ensure that reimbursements are compliant per MDA's per person guidelines. References to the receipt requirement will be published in the Travel & Expense monthly newsletters; language is reflected in the updated ADM0145 (Travel Policy); the itemized receipt requirement is built into the Concur tool, where a soft warning indicates such; and the requirement is also posted on the AP & Travel site (Summary of Travel Policy Changes).*

We appreciate the courtesy and cooperation extended to us during this review.

SM/sbs/rbr/adl

cc: Dan Fontaine  
Weldon Gage  
Chris McKee  
Sue Threlkeld  
Christy Harrison  
Craig Henderson